PARKERVISION INC
Form 10-Q
August 14, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period June 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________to____________

Commission file number 000-22904

PARKERVISION, INC.

(Exact name of registrant as specified in its charter)

Florida	59-2971472
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)

7915 Baymeadows Way, Suite 400

Jacksonville, Florida 32256

(Address of principal executive offices)

(904) 732-6100

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 10, 2018, 25,874,979 shares of the issuer's common stock, $.01 par value, were outstanding.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

PARKERVISION, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except par value data)

	June 30, 2018	December 31, 2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 94	$ 354
Restricted cash equivalents	5	1,000
Available-for-sale securities	-	26
Accounts receivable, net of allowance for doubtful accounts of $0 and $3 at June 30, 2018 and December 31, 2017, respectively	11	27
Inventories, net	1,196	1,025
Prepaid expenses	804	940
Other current assets	208	71
Total current assets	2,318	3,443
Property and equipment, net	310	376
Intangible assets, net	4,518	5,076
Other assets, net	18	15
Total assets	$ 7,164	$ 8,910
CURRENT LIABILITIES:		
Accounts payable	$ 1,275	$ 678
Accrued expenses:		
Salaries and wages	373	376
Professional fees	1,731	2,054
Other accrued expenses	472	225
Note payable to a related party, current portion	382	294
Deferred rent, current portion	7	13
Deferred revenue	-	19
Total current liabilities	4,240	3,659

LONG-TERM LIABILITIES:		
Capital lease, net of current portion	2	2
Deferred rent, net of current portion	59	66
Note payable to a related party, net of current portion	422	531
Secured contingent payment obligation	18,383	15,896
Total long-term liabilities	18,866	16,495
Total liabilities	23,106	20,154
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' (DEFICIT) EQUITY:		
Common stock, $.01 par value, 40,000 and 30,000 shares authorized, 25,875 and 21,222 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	259	212
Warrants outstanding	335	826
Additional paid-in capital	363,671	359,141
Accumulated deficit	(380,207)	(371,423)
Total shareholders' (deficit) equity	(15,942)	(11,244)
Total liabilities and shareholders' (deficit) equity	$ 7,164	$ 8,910

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PARKERVISION, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Product revenue	$ 38	$ -	$ 115	$ -
Cost of sales	(31)	-	(84)	-
Write down of obsolete inventory	(42)	-	(42)	-
Gross margin	(35)	-	(11)	-

Research and development expenses	1,001	1,025	1,875	2,627
Selling, general and administrative expenses	2,902	2,699	5,879	6,058
Total operating expenses	3,903	3,724	7,754	8,685
Interest and other income	-	14	2	18
Interest expense	(18)	(17)	(34)	(36)
Change in fair value of secured contingent payment obligation (Note 10)	(538)	-	(987)	167
Total interest and other	(556)	(3)	(1,019)	149
Net loss	(4,494)	(3,727)	(8,784)	(8,536)
Other comprehensive gain, net of tax:				
Unrealized gain on available-for-sale securities	-	5	-	4
Other comprehensive gain, net of tax	-	5	-	4
Comprehensive loss	$ (4,494)	$ (3,722)	$ (8,784)	$ (8,532)
Basic and diluted net loss per common share	$ (0.18)	$ (0.21)	$ (0.39)	$ (0.52)
Weighted average common shares outstanding	24,564	17,723	22,672	16,362

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PARKERVISION, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (4,494)	$ (3,727)	$ (8,784)	$ (8,536)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	312	322	633	651
Share-based compensation	348	542	711	1,205
Loss on disposal of equipment and other assets	-	71	-	71
Write down of obsolete inventory	42	-	42	-
Realized gain on available-for-sale securities	-	(4)	-	(4)
Loss (gain) on changes in fair value	538	-	987	(167)
Changes in operating assets and liabilities:				
Accounts receivable, net	(2)	-	16	-
Inventories	(14)	(130)	(213)	(130)
Prepaid expenses and other assets	(199)	(188)	(4)	(626)
Accounts payable and accrued expenses	701	(658)	499	(309)
Deferred rent	(7)	(12)	(13)	(35)
Total adjustments	1,719	(57)	2,658	656
Net cash used in operating activities	(2,775)	(3,784)	(6,126)	(7,880)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of available-for-sale investments	-	(9)	-	(4,811)
Proceeds from redemption of available-for-sale securities	6	2,800	26	2,800
Proceeds from sale of fixed assets	-	16	-	16
Payments for patent costs and other intangible assets	(4)	(9)	(4)	(26)
Purchases of property and equipment	-	(60)	(5)	(87)
Net cash provided by (used in) investing activities	2	2,738	17	(2,108)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net proceeds from issuance of common stock and warrants in public and private offerings	1,123	-	3,375	9,750
Principal payments on capital lease obligation	-	(1)	-	(1)
Principal payments on long-term debt	(21)	-	(21)	-

Proceeds from contingent payment obligation	1,500	-	1,500	-
Shares withheld for payment of taxes	-	(30)	-	(78)
Net cash provided by financing activities	2,602	(31)	4,854	9,671
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS	(171)	(1,077)	(1,255)	(317)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS, beginning of period	270	1,929	1,354	1,169
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS, end of period	$ 99	$ 852	$ 99	$ 852

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PARKERVISION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Description of Business

ParkerVision, Inc. and its wholly-owned German subsidiary, ParkerVision GmbH (collectively “ParkerVision”, “we” or the “Company”) is in the business of innovating fundamental wireless technologies and products. We have designed and developed a distributed WiFi product line for consumers and small businesses that is being marketed under the brand name Milo®. We have also designed, developed and marketed our proprietary radio frequency (“RF”) technologies and integrated circuits for use in wireless communication products. We have expended significant financial and other resources to research and develop our RF technologies and to obtain patent protection for those technologies in the United States and certain foreign jurisdictions. We believe certain patents protecting our proprietary technologies have been broadly infringed by others and therefore our business plan includes enforcement of our intellectual property rights through patent infringement litigation and licensing efforts.

We have a growth strategy that includes wireless product development, manufacturing and sales of our own Milo-branded WiFi products and intellectual property licensing and enforcement. On a longer-term basis, our growth strategy includes the acquisition of, or other product ventures with, companies that have businesses that are synergistic with our products and technologies, particularly in the Internet of Things (“IoT”) space. We have made significant investments in developing and protecting our technologies and products, the returns on which are dependent upon the generation of future revenues from product sales and/or licensing for realization.

We also have significant net operating loss (“NOL”) carryforwards that we consider a key asset of our business as these NOLs can provide shelter to over $300 million of future earnings.

2. Liquidity and Going Concern

Our accompanying condensed consolidated financial statements were prepared assuming we would continue as a going concern, which contemplates that we will continue in operation for the foreseeable future and will be able to realize assets and settle liabilities and commitments in the normal course of business. These condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that could result should we be unable to continue as a going concern.

We have incurred significant losses from operations and negative cash flows in every year since inception and have utilized the proceeds from the sales of our equity securities and contingent funding arrangements with third-parties to fund our operations, including the cost of litigation. For the six months ended June 30, 2018, we incurred a net loss of approximately $8.8 million and negative cash flows from operations of approximately $6.1 million. At June 30, 2018, we had a working capital deficit of approximately $1.9 million and we had an accumulated deficit of approximately $380.2 million. These circumstances raise substantial doubt about our ability to continue to operate as a going concern within one year following the issue date of these condensed consolidated financial statements.

At June 30, 2018, we had cash, cash equivalents, and restricted cash equivalents of approximately $0.1 million. The costs associated with continued development and marketing of our Milo brand and product line is expected to exceed revenues generated from our product sales in the short-term. In addition, the amount and timing of proceeds from our patent enforcement actions, if any, is difficult to predict. As a result, we will need additional working capital to fund our operations.

For the six months ended June 30, 2018, we received aggregate net proceeds of approximately $3.4 million from the sale of equity securities including $2.0 million under an October 2017 common stock purchase agreement (the "Purchase Agreement") with Aspire Capital Fund, LLC ("Aspire Capital"), $1.2 million from the sale of our common stock under an at At-Market Issuance Sales Agreement ("ATM") with FBR Capital Markets & Co., and $0.2 million from the sale of common stock to three of our directors (see Note 12). In April 2018, we received $1.5 million in additional funding from Brickell Key Investments ("BKI") under an amendment to our February 2016 litigation funding agreement (see Note 10).

In July 2018, we received proceeds of approximately $1.0 million from the sale of equity securities to Aspire Capital in a private placement transaction. We expect to receive an additional $1.0 million from the sale of equity securities to Aspire Capital upon effectiveness of the registration statement filed August 9, 2018 to register the shares (see Note 15). In addition, as of June 30, 2018, we had $16.9 million remaining under the Purchase Agreement with Aspire Capital, subject to the terms and conditions of that agreement, including registration of additional shares.

We recently launched a national media campaign for our Milo-branded products. We intend to use amounts generated by our product sales, along with funds received from the sale of equity securities to fund our short-term working capital needs. In addition, we are pursuing additional litigation financing as well as a two to three year financing transaction with third parties that may include debt, equity, in the form of common and preferred stock, or a combination thereof. There can be no assurance that we will be able to consummate a financing transaction with any of these third parties or that the terms of such financing will be on terms and conditions that are acceptable.

Our ability to meet our liquidity needs for the next twelve months is dependent upon (i) our ability to develop, market and sell existing and new products; (ii) our ability to successfully negotiate licensing agreements and/or settlements relating to the use of our technologies by others in excess of our contingent payment obligations; and/or (iii) our ability to obtain additional debt or equity financing. We expect that revenue generated from product sales, patent enforcement actions, and technology licenses over the next twelve months will not be sufficient to cover our working capital requirements. In the event we do not generate sufficient revenues to cover our operational costs and contingent repayment obligations, we will be required to use available working capital and/or raise additional working capital through the sale of equity securities or other financing arrangements.

We expect to continue to invest in patent prosecution and enforcement, product development, and sales, marketing, and customer support for our technologies and products. The long-term continuation of our business plan is dependent upon the generation of sufficient revenues from our technologies and/or products to offset expenses and contingent payment obligations. In the event that we do not generate sufficient revenues, we will be required to obtain additional funding through public or private debt or equity financing or contingent fee arrangements and/or reduce operating costs. Failure to generate sufficient revenues, raise additional capital through debt or equity financings or contingent fee arrangements, and/or reduce operating costs will have a material adverse effect on our ability to meet our long-term liquidity needs and achieve our intended long-term business objectives.

6

3. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements for the period ended June 30, 2018 were prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018 or future years. Certain reclassifications have been made to prior period amounts to conform to the current period presentation. All normal and recurring adjustments which, in the opinion of management, are necessary for a fair statement of the consolidated financial condition and results of operations have been included.

The year-end condensed consolidated balance sheet data was derived from audited financial statements for the year ended December 31, 2017, but does not include all disclosures required by GAAP. These interim condensed consolidated financial statements should be read in conjunction with our latest Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Annual Report").

The condensed consolidated financial statements include the accounts of ParkerVision, Inc. and its wholly-owned German subsidiary, ParkerVision GmbH, after elimination of all intercompany transactions and accounts.

4. Accounting Policies

There have been no changes in accounting policies from those stated in our 2017 Annual Report, except as follows:

Adoption of New Accounting Standards

As of January 1, 2018, we adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The adoption of ASU 2014-09 had no impact on our consolidated financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02 "Leases," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the new guidance, a lessee will be required to recognize assets and liabilities for capital and operating leases with lease terms of more than 12 months. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. In July 2018, the FASB issued ASU 2018-10 "Codification Improvements to Topic 842, Leases," to clarify application of certain aspects of the new leases standard and to remove inconsistencies within the guidance and ASU 2018-11 "Targeted Improvements," which provides for an alternate transition method. Specifically, ASU 2018-11 allows the new lease standard to be applied as of the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings rather than retroactive restatement of all periods presented. We are currently assessing the impact of the new lease guidance on our consolidated financial statements. We have identified all existing operating and financing leases and are in the process of determining the present value of existing lease assets and liabilities under the new guidance. We are also currently formalizing processes and controls to identify, classify and measure new leases in accordance with ASU 2016-02.

In February 2018, the FASB issued ASU 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted and should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. We have no stranded tax effects included in our other comprehensive loss and therefore the adoption of ASU 2018-02 is not expected to impact our consolidated financial statements.

5. Loss per Common Share

Basic loss per common share is determined based on the weighted-average number of common shares outstanding during each period. Diluted loss per common share is the same as basic loss per common share as all common share equivalents are excluded from the calculation, as their effect is anti-dilutive.

Options and warrants to purchase approximately 1.4 million and 1.1 million shares of common stock were outstanding at June 30, 2018 and 2017, respectively. In addition, unvested restricted stock units (“RSUs”), representing approximately 0.3 million and 0.2 million shares of common stock were outstanding at June 30, 2018 and 2017, respectively. These options, warrants and RSUs were excluded from the computation of diluted loss per common share as their effect would have been anti-dilutive.

6. Cash

Cash, cash equivalents and restricted cash equivalents, as presented in the accompanying condensed consolidated statements of cash flows, consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Cash and cash equivalents	$ 94	$ 354
Restricted cash equivalents	5	1,000
	$ 99	$ 1,354

7. Inventories, net

Inventories, net of reserves for obsolete inventory, consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Raw materials	$ 311	$ 573
Work-in-process	-	-
Finished goods	927	452
	1,238	1,025
Reserve for obsolete inventories	(42)	-
	$ 1,196	$ 1,025

8. Prepaid Expenses

Prepaid expenses consist of the following (in thousands):

	June 30, 2018	December 31, 2017
Prepaid licenses, software tools and support	$ 391	$ 404
Prepaid advertising	200	75
Prepaid services	95	253
Prepaid insurance	41	54
Prepaid inventory and production tooling	57	121
Other prepaid expenses	20	33
	$ 804	$ 940

9. Intangible Assets

Intangible assets consist of the following (in thousands):

	June 30, 2018	December 31, 2017
Patents and copyrights	$ 19,328	$ 19,324
Accumulated amortization	(14,810)	(14,248)
	$ 4,518	$ 5,076

10. Long-term debt

Note Payable to a Related Party

The note payable to a related party at June 30, 2018 and December 31, 2017, consisted of the following (in thousands):

Description	Interest Rate	Interest Payable	Maturity Date	Six months ended June 30, 2018	Year ended December 31, 2017
Note payable to a related party	8%	Monthly	March 31, 2020	$ 804	$ 825
Less current maturities				382	294
Long-term note payable				$ 422	$ 531

In February 2016, we entered into an agreement with Sterne, Kessler, Goldstein, & Fox, PLLC (“SKGF”), a related party, to convert $0.8 million in outstanding unpaid fees into an unsecured promissory note. The balance of the note was scheduled to mature on December 31, 2017. In January 2018, we amended the note, retroactive to December 31, 2017 to allow for interest only payments through March 2018 and principal and interest payments through March 31, 2020. In August 2018, we further amended the note, retroactive to April 30, 2018 to defer principal and interest payments from May 1, 2018 through September 30, 2018. The note, as amended, provides for payments of principal and interest of approximately $48,500 per month commencing October 30, 2018 through March 31, 2020.

Secured Contingent Payment Obligation

The following table provides a reconciliation of our secured contingent payment obligation, measured at estimated fair market value, for the six months ended June 30, 2018 and the year ended December 31, 2017 (in thousands):

	Six months ended June 30, 2018	Year ended December 31, 2017
Secured contingent payment obligation, beginning of year	$ 15,896	$ 14,185
Proceeds from contingent payment obligation	1,500	1,000
Change in fair value	987	711
Secured contingent payment obligation, end of year	$ 18,383	$ 15,896

Our secured contingent payment obligation represents the estimated fair value of our repayment obligation to BKI under a February 2016 funding agreement, as amended in May 2016, December 2017, and April 2018. Under the agreement, as of June 30, 2018, we had received aggregate proceeds of $15.5 million in exchange for BKI's right to reimbursement and compensation from gross proceeds resulting from patent enforcement and other patent monetization actions. We have repaid an aggregate of $3.3 million to BKI from patent enforcement proceeds.

BKI is entitled to priority payment of 100% of proceeds received from all patent-related actions until such time that BKI has been repaid in full. After repayment of the funded amount, BKI is entitled to a portion of remaining proceeds up to a specified minimum return which is determined as a percentage of the funded amount and varies based on the timing of repayment. In addition, BKI is entitled to a pro rata portion of proceeds from specified legal actions to the extent aggregate proceeds from those actions exceed the specified minimum return.

BKI holds a senior security interest in our assets until such time as the specified minimum return is paid, in which case, the security interest will be released except with respect to the patents and proceeds related to specific legal actions. The security interest is enforceable by BKI in the event that we are in default under the agreement which would occur if (i) we fail, after notice, to pay proceeds to BKI, (ii) we become insolvent or insolvency proceedings are commenced (and not subsequently discharged) with respect to us, (iii) our creditors commence actions against us (which are not subsequently discharged) that affect our material assets, (iv) we, without BKI's consent, incur indebtedness other than immaterial ordinary course indebtedness, or (v) there is an uncured non-compliance of our obligations or misrepresentations under the agreement. As of June 30, 2018, we are in compliance with our obligations under this agreement.

We have elected to measure our secured contingent payment obligation at fair value based on probability-weighted estimated cash outflows, discounted back to present value using a discount rate determined in accordance with accepted valuation methods. The secured contingent payment obligation is remeasured to fair value at each reporting period with changes recorded in the condensed consolidated statements of comprehensive loss until the contingency is resolved. As of June 30, 2018, the fair value of the obligation is estimated to be approximately $18.4 million.

11. Share-Based Compensation

There has been no material change in the assumptions used to compute the fair value of our equity awards, nor in the method used to account for share-based compensation from those stated in our 2017 Annual Report.

The following table presents share-based compensation expense included in our condensed consolidated statements of comprehensive loss for the three and six months ended June 30, 2018 and 2017, respectively (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Research and development expenses	$ 50	$ 165	$ 115	$ 410
Selling, general and administrative expenses	298	377	596	795
Total share-based compensation expense	$ 348	$ 542	$ 711	$ 1,205

As of June 30, 2018, we had approximately $0.3 million in unrecognized compensation cost related to unvested share-based compensation awards. This cost is expected to be recognized over a weighted average period of approximately one year.

12. Stock Authorization and Issuance

On June 12, 2018, our shareholders approved an amendment to our articles of incorporation to increase the number of authorized shares of common stock from 30 million to 40 million shares.

During the six months ended June 30, 2018, we sold an aggregate of approximately 2.9 million shares of our common stock at an average price of $0.70 per share under our Purchase Agreement with Aspire Capital for net proceeds of approximately $2.0 million. The shares are registered under a registration statement filed in November 2017. In June 2018, our shareholders approved the issuance of shares to Aspire Capital under the Purchase Agreement in excess of 19.99% of our pre-transaction shares outstanding. As of June 30, 2018, we had $16.9 million remaining under the Purchase Agreement, subject to the terms and conditions of the Purchase Agreement including registration of additional shares.

During the six months ended June 30, 2018, we sold an aggregate of approximately 1.2 million shares of our common stock at an average market price of $0.90 per share under an ATM agreement for net proceeds of approximately $1.2 million. The shares were sold pursuant to a shelf registration statement filed in November 2016. As of June 30, 2018, there were no remaining shares available for issuance under the ATM.

In March 2018, we received proceeds of approximately $0.2 million from the sale of approximately 0.22 million unregistered shares of our common stock at a price of $0.83 per share to three of our directors.

13. Fair Value Measurements

The following tables summarize the fair value of our assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017 (in thousands):

		Fair Value Measurements		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018:				
Assets:				
Restricted cash equivalents	$ 5	$ 5	$ -	$ -
Liabilities:				
Secured contingent payment obligation	18,383	-	-	18,383

		Fair Value Measurements		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017:				
Assets:				
Restricted cash equivalents	$ 1,000	$ 1,000	$ -	$ -
Available-for-sale securities	26	26	-	-
Liabilities:				
Secured contingent payment obligation	15,896	-	-	15,896

For the three and six months ended June 30, 2018 we had no transfers of assets or liabilities between the levels of the hierarchy. The fair value of our secured contingent payment obligation was estimated using a probability-weighted income approach based on various cash flow scenarios as to the outcome of patent-related actions both in terms of timing and amount, discounted to present value using a risk-adjusted rate. The contingent payment obligation does not have a fixed duration; however, our cash flow projections assume a remaining duration ranging from approximately one to three years. The cash outflows could potentially range from $0 to $34 million through 2021 and the cash flow scenarios have probabilities of 0% to 30%. We used a risk-adjusted discount rate of 16.63%, based on a risk-free rate of 2.63% as adjusted by 8% for credit risk and 6% for litigation inherent risk. Changes in any of these Level 3 inputs could result in a higher or lower fair value measurement.

14. Commitments and Contingencies

Lease Commitments

There have been no material changes in our lease commitments from those included in in our 2017 Annual Report, except for a one-year extension of the lease for our corporate headquarters in July 2018 (see Note 15).

Legal Proceedings

From time to time, we are subject to legal proceedings and claims which arise in the ordinary course of our business. These proceedings include patent enforcement actions initiated by us against others for the infringement of our technologies, as well as proceedings brought by others against us at the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office ("PTAB") and in the Federal Patent Court in Germany in an attempt to invalidate certain of our patent claims. These patent-related proceedings are more fully described below. We have several patent enforcement actions in Germany which has a "loser pay" system whereby the non-prevailing party is responsible for statutory attorney fees and costs. We do not believe it is probable that we will have unfavorable outcomes in any of our German cases and therefore we have not recorded any expenses related to these statutory fees and costs. However, there is at least a reasonable possibility of an unfavorable outcome in any one or more of these matters that could result in expenses in the aggregate that could have a material unfavorable impact on our consolidated results of operations as more fully discussed below.

ParkerVision v. Qualcomm and HTC (Middle District of Florida)

We have a patent infringement complaint pending in the Middle District of Florida against Qualcomm and Qualcomm Atheros, Inc. (collectively "Qualcomm"), and HTC (HTC Corporation and HTC America, Inc.) (the "Qualcomm Action") seeking unspecified damages and injunctive relief for infringement of certain of our patents. Certain of the defendants have filed counterclaims against us for non-infringement and invalidity for all patents in the case. A claim construction hearing was held in August 2015 but no ruling on claim construction has been issued by the court. In February 2016, the court granted the parties' joint motion to stay these proceedings. In May 2017, we filed a motion to continue the stay of these proceedings pending an appeal of certain PTAB decisions with regard to our U.S. patent 6,091,940 ("the '940 Patent") as discussed below.

Qualcomm v. ParkerVision (PTAB)

In August 2015, Qualcomm filed an aggregate of ten petitions for Inter Partes Review ("IPR") with the PTAB seeking to invalidate certain claims related to three of the eleven patents originally asserted in our Qualcomm Action. In March 2016, the PTAB issued decisions denying institution of trial for three of the petitions, all of which relate to our U.S. patent 7,039,372 ("the '372 Patent"). The remaining petitions, all of which relate to the '940 Patent and U.S. patent 7,966,012 ("the '012 Patent") were instituted for trial by the PTAB. In May 2016, the PTAB granted our motion to disclaim the challenged claims of the ‘012 Patent and entered an adverse judgment against us with respect to those claims. In March 2017, the PTAB issued its decisions on the six outstanding IPRs, all of which relate to the ‘940 Patent. The PTAB ruled in our favor on three of the six petitions, ruled in Qualcomm’s favor on two of the six petitions and issued a split decision on the claims covered in the sixth petition. As a result of the PTAB decisions, certain claims of the ‘940 Patent which are the subject of our district court case against Qualcomm and HTC were found to be un-patentable and certain claims were found not to be un-patentable. In May 2017, we filed our notice of appeal of these decisions with the United States Court of Appeals for the Federal Circuit (“CAFC”). Qualcomm also appealed the decisions that were unfavorable to them. A hearing was held on August 7, 2018 at the CAFC and we are currently awaiting the court’s ruling.

ParkerVision v. Apple and Qualcomm (Middle District of Florida)

In December 2015, we filed a patent infringement complaint in the Middle District of Florida against Apple, LG, Samsung and Qualcomm alleging infringement of four of our patents. In February 2016, the district court proceedings were stayed pending resolution of a corresponding case filed at the International Trade Commission ("ITC"). In July 2016, we entered into a patent license and settlement agreement with Samsung and, as a result, Samsung was dismissed from the district court action. In March 2017, we filed a motion to terminate the ITC proceedings and a corresponding motion to lift the stay in the district court case. This motion was granted in May 2017. In July 2017, we filed a motion to dismiss LG from the district court case (see ParkerVision v. LG below). Also in July 2017, Qualcomm filed a motion to change venue to the southern district of California and Apple filed a motion to dismiss for improper venue. In March 2018, the district court ruled against the Qualcomm and Apple motions. The parties also filed a joint motion in March 2018 to eliminate three of the four patents in the case in order to expedite proceedings leaving our U.S. patent 9,118,528 as the only remaining patent in this case. A claim construction hearing is scheduled for August 31, 2018.

ParkerVision v. LG (District of New Jersey)

In July 2017, we filed a patent infringement complaint in the district of New Jersey against LG for the alleged infringement of the same patents previously asserted against LG in the middle district of Florida (see ParkerVision v. Apple and Qualcomm above). We elected to dismiss the case in the middle district of Florida and re-file in New Jersey as a result of a recent Supreme Court ruling regarding proper venue. In March 2018, the court stayed this case pending a final decision in ParkerVision v. Apple and Qualcomm in the Middle District of Florida. As part of this stay, LG has agreed to be bound by the final claim construction decision in that case.

ParkerVision v. LG Electronics (Munich, Germany)

In June 2016, we filed a complaint in Munich District Court against LG Electronics Deutschland GmbH, a German subsidiary of LG Electronics, Inc. ("LGE") seeking damages and injunctive relief for the alleged infringement of the German part of our European patent 1 206 831 ("the '831 Patent). A hearing in this case was held in November 2016 at which time the court concluded that certain LGE products using Qualcomm RF circuitry infringe our patent. The final decision in this case is stayed pending resolution of the corresponding nullity, or validity, action filed by Qualcomm in the German Federal Patent Court in Munich (see Qualcomm v. ParkerVision below). If we do not prevail in this case, we may be subject to a claim for reimbursement of statutory attorney's fees and costs estimated at approximately $0.06 million for which we have posted a bond. If we prevail in the validity action filed by Qualcomm, the district court will then issue its final infringement decision which, if favorable, will likely include an injunction blocking the sale and importation of LGE products in Germany.

ParkerVision v. Apple (Munich, Germany) - the Apple I case

In October 2016, we filed a complaint in Munich District Court against Apple, Inc., Apple Distribution International, and Apple Retail Germany B.V. & Co. KG (collectively "Apple") seeking damages and injunctive relief for the alleged infringement of the '831 Patent (the "Apple I" case). In February 2017, we amended our complaint adding the infringement of a second German patent and alleging infringement by Apple devices that incorporate an Intel transceiver chip. The Munich Regional Court bifurcated the new claims into a second case (see ParkerVision v. Apple - the Apple II case below). A hearing was held in May 2017 in the Apple I case. In June 2017, the court deferred its ruling pending the decision from the German Federal Patent Court in the validity action filed by Qualcomm (see Qualcomm v. ParkerVision below). We anticipate the decision in this case will mirror that in the ParkerVision v. LG case in Germany discussed above. If we do not prevail in this case, we may be subject to a claim for reimbursement of statutory attorney's fees and costs estimated at approximately $0.1 million. We expect to post a bond to cover this exposure in the third quarter of 2018.

Qualcomm v. ParkerVision (Federal Patent Court in Germany)

In August 2016, Qualcomm filed a validity action in Federal Patent Court in Germany against the '831 Patent. The outcome of this validity action impacts our German patent infringement cases against LGE and Apple as discussed above. An oral hearing is scheduled in this case on October 17, 2018 and a decision is expected to be handed down at that time. The Federal Patent Court can uphold the '831 Patent, declare the '831 Patent to be invalid, or, alternatively, can uphold the '831 Patent with amended, narrowed claims that we have proposed. If the '831 Patent is declared invalid, we would be subject to a claim for reimbursement of statutory attorney fees and costs of approximately $0.2 million.

ParkerVision v. Apple (Munich, Germany)-the Apple II case

The Apple II case seeks damages and injunctive relief for the alleged infringement of the German part of our European patent 1 135 853 ("the '853 Patent). A hearing was held in November 2017. Subsequent to the hearing, the court requested that we supplement certain elements of the infringement claims against Apple devices. The court also denied Apple's request that we provide a bond covering any possible claims for reimbursement of statutory attorney's fees and costs. Apple appealed the bond decision and, in order to expedite proceedings, in April 2018, we paid a bond of approximately $0.1 million, which is our estimated maximum exposure in this case. In May 2018, we filed our supplemental briefs as requested by the court. Apple has filed its reply briefs and we are awaiting a ruling and/or a second oral hearing in this case which we expect to occur during the third quarter of 2018.

Intel v. ParkerVision (Federal Patent Court in Germany)

In August 2017, Intel filed a nullity action in German Federal Patent Court claiming invalidity of the '853 Patent that is the subject of the Apple II case. If the '853 Patent is declared invalid, we would be subject to a claim for reimbursement of statutory attorney fees and costs of approximately $0.2 million. We intend to vigorously defend the validity of our patent. No dates have yet been set in this nullity action.

15. Subsequent Events

On July 26, 2018, we entered into a Securities Purchase Agreement (the "Agreement") with Aspire Capital for the sale of up to $2.0 million of shares of our common stock (or Pre-Funded warrants) and Warrants, in two tranches. Upon the initial closing, we sold to Aspire Capital (i) a pre-funded warrant to purchase up to 2,500,000 shares of our common stock with an exercise price of $.01 per share ("Pre-Funded Warrant") and (ii) a warrant to purchase up to 2,500,000 shares of our common stock with an exercise price of $.74 per share (a "Warrant"), for an aggregate purchase price of approximately $1.0 million. In addition, the Agreement provides that upon effectiveness of a registration statement to register the underlying shares, provided that the closing price of our common stock on such date is equal to or greater than $.50 per share, we will sell to Aspire Capital (i) an additional 2,500,000 shares of common stock (or a Pre-Funded Warrant in lieu thereof) and (ii) a Warrant to purchase an additional 2,500,000 shares of common stock at an exercise price of $0.74 per share, for an additional aggregate purchase price of approximately $1.0 million. The Warrants and Pre-Funded Warrants expire five years after their issuance and have substantially similar other terms, except (i) for exercise price and (ii) that the Warrants are exercisable on the date that is six months after issuance and the Pre-Funded Warrants are immediately exercisable after issuance.

On July 18, 2018, we amended the operating lease agreement for our corporate headquarters, extending the lease term through July 31, 2019 with an option to renew through July 31, 2020. Our straight-line rental payments under the amendment are approximately $30,500 per month.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

We believe that it is important to communicate our future expectations to our shareholders and to the public. This quarterly report contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, including, in particular, statements about our future plans, objectives, and expectations contained in this Item. When used in this quarterly report and in future filings by us with the Securities and Exchange Commission (“SEC”), the words or phrases “expects”, “will likely result”, “will continue”, “is anticipated”, “estimated” or similar expressio are intended to identify “forward-looking statements.” Readers are cautioned not to place undue reliance on such forward-looking statements, each of which speaks only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected, including the risks and uncertainties identified in our annual report on Form 10-K for the fiscal year ended December 31, 2017 (the “2017 Annual Report”) and in this Item 2 of Part I of this quarterly report. Examples of such risks and uncertainties include general economic and business conditions, competition, unexpected changes in technologies and technological advances, the timely development and commercial acceptance of new products and technologies, reliance on key suppliers, reliance on our intellectual property, the outcome of our intellectual property litigation and the ability to obtain adequate financing in the future. We have no obligation to publicly release the results of any revisions which may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

Corporate Website

We webcast our earnings calls and certain events we participate in or host with members of the investment community in the investor relations section of our website. Additionally, we announce investor information, including news and commentary about our business, financial performance and related matters, SEC filings, notices of investor events, and our press and earnings releases, in the investor relations section of our website (http://ir.parkervision.com). Investors and others can receive notifications of new information posted in the investor relations section in real time by signing up for email alerts and/or RSS feeds. Further corporate governance information, including our governance guidelines, board committee charters, and code of conduct, is also available in the investor relations section of our website under the heading “Corporate Governance.” The content of our website is not incorporated by reference into this quarterly report or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

Overview

We are in the business of innovating fundamental wireless technologies and products. We have designed and developed a consumer and small business distributed WiFi product line that is being marketed under the brand name Milo®. We have also designed, developed and marketed our proprietary radio frequency (“RF”) technologies and integrated circuits for use in wireless communication products. We have expended significant financial and other resources to research and develop our RF technologies and to obtain patent protection for those technologies in the United States and certain foreign jurisdictions. We believe certain patents protecting our proprietary technologies have been broadly infringed by others and therefore our business plan includes enforcement of our intellectual property rights through patent infringement litigation and licensing efforts.

We have a growth strategy that includes wireless product development, manufacturing and sales of our Milo-branded products and intellectual property licensing and enforcement. Our longer-term strategy is expected to include the acquisition of, or other product ventures with, companies that have businesses that are synergistic with our products and technologies, particularly in the IoT, or Internet of Things, space. We have significant net operating loss ("NOL") carryforwards that we consider a key asset of our business as these NOLs can provide shelter to over $300 million of future earnings.

Recent Developments

Nasdaq Compliance

On February 13, 2018, we received a notice from the Listing Qualifications Department of Nasdaq indicating that, based upon our continued non-compliance with Nasdaq Listing Rule 5500(b)(2), which requires an issuer to maintain the market value listing standard ("MVLS") of $35 million, our securities would be subject to delisting from Nasdaq unless we requested a hearing before a Nasdaq Hearings Panel (the "Panel"). We requested and attended a hearing before the Panel and presented our plan to regain compliance with Nasdaq listing standards. On April 4, 2018, the Panel notified us that they had granted our request for continued listing on Nasdaq, subject to certain conditions, through July 31, 2018. On July 31, 2018, we requested an additional extension from the Panel through August 13, 2018, which represents the full 180-day period available to the Panel. Our common stock has continued to trade while such request was pending. We are currently awaiting a response from Nasdaq or the Panel and based on our inability to demonstrate compliance with the $35 million MVLS requirement or the alternative requirement of $2.5 million in stockholders' equity, we anticipate that our securities will be subject to delisting.

In addition, on March 22, 2018, we received a notice from Nasdaq stating that, for the last 30 consecutive business days, the closing bid price for our common stock had been below the minimum of $1.00 per share required for continued inclusion on Nasdaq under Nasdaq Listing Rule 5550(a)(2). The notification letter stated that we would be afforded 180 calendar days (until September 18, 2018) to regain compliance with the minimum bid price requirement. In order to regain compliance, the bid price for shares of our common stock must close at $1.00 per share or more for a minimum of ten consecutive business days. The notification letter also states that in the event we do not regain compliance within the 180 day period, we may be eligible for additional time to regain compliance to the extent that we meet the other continued listing requirements.

We have applied for listing on the over-the-counter ("OTC") market and expect that we will be approved for trading on the OTC market under the ticker PRKR prior to any suspension of trading on the Nasdaq Capital Market. The OTC market is a significantly more limited market than the Nasdaq Capital Market (See Item 1A. Risk Factors).

Amendment to Claims Proceeds Investment Agreement

On April 26, 2018, we entered into a third amendment to our February 2016 litigation funding agreement with BKI. Under this amendment, we received an additional $1.5 million in funding from BKI for the purposes of advancing our existing U.S. district court and German actions in connection with our patent assertion program. The amendment provides that we will repay and compensate BKI on substantially the same terms and conditions as provided for in the original agreement.

Liquidity and Capital Resources

We have incurred significant losses from operations and negative cash flows in every year since inception and have utilized the proceeds from the sales of our equity securities and contingent funding arrangements with third-parties to fund our operations, including the cost of litigation.

We used cash for operations of approximately $6.1 million and $7.9 million for the six months ended June 30, 2018 and 2017, respectively. At June 30, 2018, we had a working capital deficit of approximately $1.9 million and we had an accumulated deficit of approximately $380.2 million. These circumstances raise substantial doubt about our ability to continue to operate as a going concern within one year following the issue date of our condensed consolidated financial statements.

At June 30, 2018, we had cash, cash equivalents, and restricted cash equivalents of approximately $0.1 million. The costs associated with continued development and marketing of our Milo brand and product line is expected to exceed revenues generated from our product sales in the short-term. In addition, the amount and timing of proceeds from our patent enforcement actions, if any, is difficult to predict. As a result, we will need additional working capital to fund our operations.

For the six months ended June 30, 2018, we received net proceeds of approximately $2.0 million under an October 2017 common stock purchase agreement (the “Purchase Agreement”) with Aspire Capital, $1.2 million from the sale of our common stock under an at At-Market Issuance Sales Agreement, and $0.2 million from the sale of common stock to three of our directors. In April 2018, we received $1.5 million in additional funding from BKI under an amendment to our February 2016 litigation funding agreement.

In July 2018, we received proceeds of approximately $1.0 million from the sale of equity securities to Aspire Capital in a private placement transaction. We expect to receive an additional $1.0 million from the sale of equity securities to Aspire Capital upon effectiveness of the registration statement filed August 9, 2018 to register the shares, provided that the closing price of our common stock on such date is at or above $0.50 per share.   In addition, as of June 30, 2018, we had $16.9 million remaining under the Purchase Agreement with Aspire Capital, subject to the terms and conditions of that agreement, including registration of additional shares.

We recently launched a national media campaign for our Milo-branded products. We intend to use amounts generated by our product sales, along with funds received from the sale of equity securities to fund our short-term working capital needs. In addition, we are pursuing additional litigation financing as well as a two to three year financing transaction with third parties that may include debt, equity, in the form of common and preferred stock, or a combination thereof. There can be no assurance that we will be able to consummate a financing transaction with any of these third parties or that the terms of such financing will be on terms and conditions that are acceptable.

Our ability to meet our liquidity needs for the next twelve months is dependent upon (i) our ability to develop, market and sell existing and new products; (ii) our ability to successfully negotiate licensing agreements and/or settlements relating to the use of our technologies by others in excess of our contingent payment obligations; and/or (iii) our ability to obtain additional debt or equity financing. We expect that revenue generated from product sales, patent enforcement actions, and technology licenses over the next twelve months will not be sufficient to cover our working capital requirements. In the event we do not generate sufficient revenues to cover our operational costs and contingent repayment obligations, we will be required to use available working capital and/or raise additional working capital through the sale of equity securities or other financing arrangements.

We expect to continue to invest in patent prosecution and enforcement, product development, and sales, marketing, and customer support for our technologies and products. The long-term continuation of our business plan is dependent upon the generation of sufficient revenues from our technologies and/or products to offset expenses and contingent payment obligations. In the event that we do not generate sufficient revenues, we will be required to obtain additional funding through public or private debt or equity financing or contingent fee arrangements and/or reduce operating costs. Failure to generate sufficient revenues, raise additional capital through debt or equity financings or contingent fee arrangements, and/or reduce operating costs will have a material adverse effect on our ability to meet our long-term liquidity needs and achieve our intended long-term business objectives.

Results of Operations for Each of the Three and Six Months Ended June 30, 2018 and 2017

We use both generally accepted accounting principles ("GAAP") and non-GAAP financial measures for assessing our consolidated results of operations. The non-GAAP measures we use include Adjusted Net Loss and Adjusted Net Loss per Share. These non-GAAP measures exclude the effect on net loss and net loss per share of (i) changes in fair value of our secured contingent payment obligation and (ii) share-based compensation expense. Share-based compensation is a non-cash expense item that is subject to significant fluctuation in value based on the volatility of the market price of our common stock, and the expense recognized on a GAAP basis is not necessarily indicative of the compensation realized by our executives, employees and non-employee directors. The change in fair value of our secured contingent payment obligation is subject to significant estimates and assumptions regarding future events and, similar to interest on long-term debt obligations, is a reflection of our cost of financing rather than our operating activities. Accordingly, we consider these non-GAAP measures to provide relevant supplemental information to assist investors in better understanding our operating results. These non-GAAP measures should not be considered a substitute for, or superior to measures of financial performance prepared in accordance with GAAP.

Refer to "Reconciliation of Non-GAAP Financial Measures" in this section for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures for the three and six months ended June 30, 2018 and 2017.

Revenue and Gross Margin

We reported product revenue of approximately $0.04 million and $0.1 million, respectively for the three and six month periods ended June, 30, 2018 from sales of our Milo-branded WiFi products. We reported no revenue for the three and six month periods ended June 30, 2017 as shipments of our Milo product line began in October 2017. We expect increases in product revenue in the second half of 2018 as we gain brand recognition, expand our sales channels, and expand our product offerings.

Gross margins for the Milo product sales were approximately 18% and 27%, respectively for the three and six month periods. Product margin for the three month period ended June 30, 2018 decreased from the prior quarter as a result of decreased sales prices for products sold through an online distribution channel. We expect our product margin to remain in the 20% to 25% range until we sell through our current on hand inventory, at which time we anticipate improvements in our product margins.

For the three month period ended June 30, 2018, we recorded a reserve for excess and obsolete inventory of approximately $0.04 million, representing the value of our remaining integrated circuit inventory, including inventory held on consignment under a distribution agreement that is expected to terminate in September 2018.

Research and Development Expenses

Research and development expenses consist primarily of engineering and related management and support personnel costs; fees for outside engineering design services which we use from time to time to supplement our internal resources; depreciation expense related to our assets used in product development; prototype production and materials costs, which represent the fabrication and packaging costs for prototype integrated circuits, as well as the cost of supporting components for prototype board development; software licensing and support costs, which represent the annual licensing and support maintenance for engineering design and other software tools; and rent and other overhead costs for our engineering design facility. Personnel costs include share-based compensation amounts which have been determined based on the grant date fair value of equity-based awards to our employees and then recorded to expense over the vesting period of the award.

Our research and development expenses remained relatively unchanged during the three months ended June 30, 2018 when compared to the same period in 2017.

Our research and development expenses decreased approximately $0.8 million, or 29%, during the six months ended June 30, 2018 when compared to the same period in 2017. This decrease is primarily the result of a decrease in costs related to integrated circuit design and fabrication of approximately $0.4 million and a decrease in share-based compensation expense of approximately $0.3 million.

The decrease in share-based compensation expense is primarily the result of decreases in the value of current awards when compared to prior year awards as a result of lower stock prices as of the grant date for the respective awards. The decrease in costs related to integrated circuit design and fabrication is primarily related to a decrease in resources deployed towards development of a WiFi system on chip in 2018.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses consist primarily of executive, director, sales and marketing, and finance and administrative personnel costs, including share-based compensation, and costs incurred for advertising, insurance, shareholder relations and outside legal and professional services, including litigation expenses.

Our selling, general and administrative expenses increased by approximately $0.2 million, or 8%, during the three months ended June 30, 2018 when compared to the same period in 2017. This is primarily the result of an increase in personnel and related costs of approximately $0.2 million, an increase in advertising expenses of approximately $0.2 million, and an increase in litigation related expenses of approximately $0.1 million, partially offset by a decrease outside professional fees of approximately of $0.3 million.

Our selling, general and administrative expenses decreased by approximately $0.2 million, or 3%, during the six months ended June 30, 2018 when compared to the same period in 2017. This is primarily due to a decrease in litigation related expenses of approximately $0.8 million, a decrease in outside professional fees of approximately $0.2 million, and a decrease in share based compensation of approximately $0.2 million, partially offset by an increase in personnel and related expenses of approximately $0.5 million and an increase in advertising expenses of approximately $0.4 million.

The increases in personnel and advertising costs for the three and six month periods are a result of the launch and support of our new consumer product. The decreases in outside professional fees are a result of a reduction in the use of outside professionals for marketing, shareholder relations and business consulting activities in 2018. The decrease in share-based compensation expense for the six months ended June 30, 2018 compared to the same period in 2017 is primarily the result of decreases in the value of current awards when compared to prior year awards as a result of lower stock prices as of the grant date for the respective awards. The increase in litigation related fees and expenses for the three months ended June 30, 2018 is primarily a result of increased activities related to German litigation and our IPR appeal. The decrease in litigation related fees and expenses for the six months ended June 30, 2018 is primarily related to the termination of our ITC proceeding in March 2017.

Change in Fair Value of Contingent Payment Obligation

We have elected to measure our secured contingent payment obligation at fair value which is based on significant unobservable inputs. We estimated the fair value of our secured contingent payment obligation using an income approach based on the estimated present value of projected future cash outflows using a risk-adjusted discount rate. Increases or decreases in the significant unobservable inputs could result in significant increases or decreases in fair value.

For the six months ended June 30, 2018, we recorded an increase in the fair value of our secured contingent payment obligation of approximately $1.0 million compared to a decrease in fair value of approximately $0.2 million for the same period in 2017. The changes in fair value are a result of changes in estimated amounts and timing of projected future cash flows due to increases in funded amounts, passage of time, and changes in the probabilities based on the status of the funded actions.

Adjusted Net Loss and Adjusted Net Loss Per Share

Adjusted net loss increased by approximately $0.4 million during the three months ended June 30, 2018 when compared to the same period in 2017. The increase in adjusted net loss is primarily the result of increases in costs associated with our Milo product launch. On a per share basis, our adjusted net loss per common share decreased by $0.04 per share. This decrease is a result of a 39% increase in our weighted average common shares outstanding, partially offset by the $0.4 million increase in our adjusted net loss.

Adjusted net loss decreased by approximately $0.4 million during the six months ended June 30, 2018 when compared to the same period in 2017. The decrease in adjusted net loss is primarily the result of decreased litigation costs partially offset by increases in costs associated with our Milo product launch. On a per share basis, our adjusted net loss per common share decreased by $0.14 per share. This decrease is a result of the $0.4 million decrease in our adjusted net loss and a 39% increase in our weighted average common shares outstanding.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of our net loss to the non-GAAP measure of adjusted net loss for the three and six months ended June 30, 2018 and 2017, respectively (in thousands):

(in thousands)	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Net loss	$ (4,494)	$ (3,727)	$ (8,784)	$ (8,536)
Excluded items:				
Share-based compensation	348	542	711	1,205
Change in fair value of contingent payment obligation	538	-	987	(167)
Adjusted net loss	$ (3,608)	$ (3,185)	$ (7,086)	$ (7,498)

The following table presents a reconciliation of our net loss per common share to the non-GAAP measure of adjusted net loss per common share for three and six months ended June 30, 2018 and 2017, respectively:

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Basic and diluted net loss per common share	$ (0.18)	$ (0.21)	$ (0.39)	$ (0.52)
Excluded items on a per share basis	0.04	0.03	0.07	0.06
Adjusted net loss per common share	$ (0.14)	$ (0.18)	$ (0.32)	$ (0.46)

Off-Balance Sheet Transactions, Arrangements and Other Relationships

As of June 30, 2018, we had outstanding warrants to purchase approximately 0.4 million shares of our common stock. The estimated grant date fair value of these warrants of approximately $0.3 million is included in shareholders' (deficit) equity in our condensed consolidated balance sheets. The outstanding warrants have an exercise price of $2.00 per share and a weighted average remaining life of approximately 3 years.

Contractual Obligations

There have been no material changes in our contractual obligations as set forth in our 2017 Annual Report.

Critical Accounting Policies

There have been no changes in critical accounting policies from those stated in our 2017 Annual Report except as follows:

As of January 1, 2018, we adopted ASU 2014-09, “Revenue from Contracts with Customers.” ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The adoption of ASU 2014-09 had no impact on our consolidated financial statements

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

For the three and six months ended June 30, 2018, there were no material changes from the market risk information disclosed under Item 7A of Part II of our 2017 Annual Report. We are exposed to market risk from changes in currency exchange rates that could impact our results of operations and financial position. We have assets and liabilities denominated in non-functional currencies which are remeasured at each reporting period. Any gains or losses recognized for changes in currency exchange rates are included in operating expenses in our condensed consolidated statements of comprehensive loss. We do not consider the market risk from changes in currency exchange rates to be material.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of June 30, 2018, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our "disclosure controls and procedures," as defined in Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of June 30, 2018.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

Reference is made to the section entitled “Legal Proceedings” in Note 14 to our unaudited condensed consolidated financial statements included in this quarterly report for a discussion of current legal proceedings, which discussion is incorporated herein by reference.

ITEM 1A. Risk Factors.

In addition to the information in this quarterly report, the risk factors disclosed in our 2017 Annual Report should be carefully considered in evaluating our business because such factors may have a significant impact on our business, operating results, liquidity and financial condition.

If our common stock is no longer listed on a national securities exchange and will be quoted only on the OTC market, our stock price and liquidity could be negatively impacted.

Based on our inability to regain compliance with the Nasdaq continued listing requirements, we anticipate that we may be delisted from the Nasdaq market, in which case we expect to trade exclusively on the OTCQB market under the symbol PRKR. The OTC market is a significantly more limited market than Nasdaq, and the quotation of our common stock on the OTC market may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock. This could further depress the trading price of our common stock and could also have a long-term adverse effect on our ability to raise capital. We cannot provide any assurances as to if or when we will be in a position to relist our common stock on a nationally-recognized securities exchange.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

On August 14, 2018, we issued a press release announcing our financial condition and results of operations for the three and six months ended June 30, 2018. The press release is attached hereto as Exhibit 99.1.

The foregoing information, including the exhibit related thereto, is furnished in response to Item 2.02 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any disclosure document of the Registrant, except as shall be expressly set forth by specific reference in such document.

ITEM 6. Exhibits.

3.1	Amended and Restated Articles of Incorporation (incorporated by reference from Exhibit 3.1 of Current Report on Form 8-K filed March 29, 2016)
3.2	Amendment to the Amended and Restated Articles of Incorporation (incorporated by reference from Exhibit 3.1 of Current Report on Form 8-K filed August 18, 2016)
3.3	Amendment to the Amended and Restated Articles of Incorporation (incorporated by reference from Exhibit 3.1 of Current Report on Form 8-K filed July 11, 2017)
3.4	Amendment to the Amended and Restated Articles of Incorporation dated June 12, 2018, effective June 25, 2018 (incorporated by reference from Exhibit 3.5 of Form S-1 filed August 9, 2018)
3.5	Certificate of Designations of the Preferences, Limitations, and Relative Rights of Series E Preferred Stock, dated November 21, 2005 (incorporated by reference from Exhibit 4.02 of Form 8-K filed November 21, 2005)
3.6	Amended and Restated Bylaws (incorporated by reference from Exhibit 3.1 of Current Report on Form 8-K filed August 14, 2007)
10.1	Subscription Agreement dated March 26, 2018 (incorporated by reference from Exhibit 10.1 of Current Report on Form 8-K filed March 27, 2018)
10.2	List of Investors for Subscription Agreement dated March 26, 2018 (incorporated by reference from Exhibit 10.2 of Current Report on Form 8-K filed March 27, 2018)
10.3	Amendment to Claims Proceed Investment Agreement between Registrant and Brickell Key Investments dated April 26, 2018 (incorporate by reference from Exhibit 10.21 of Form S-1 filed August 9, 2018)
10.4	Securities Purchase Agreement, dated July 26, 2018, between the Company and Aspire Capital Fund, LLC (incorporated by reference from Exhibit 10.1 of Current Report on Form 8-K filed July 30, 2018)
10.5	Warrant Agreement between Registrant and Aspire Capital Fund, LLC (incorporated by reference from Exhibit 4.1 of Current Report on Form 8-K filed July 30, 2018)
31.1	Section 302 Certification of Jeffrey L. Parker, CEO*
31.2	Section 302 Certification of Cynthia L. Poehlman, CFO*
32.1	Section 906 Certification*
99.1	Earnings Press Release*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*

25

101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

*Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ParkerVision, Inc.
Registrant

August 14, 2018	By:	/s/Jeffrey L. Parker Jeffrey L. Parker Chairman and Chief Executive Officer (Principal Executive Officer)
August 14, 2018	By:	/s/Cynthia L. Poehlman Cynthia L. Poehlman Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

27

EXHIBIT INDEX

31.1	Section 302 Certification of Jeffrey L. Parker, CEO
31.2	Section 302 Certification of Cynthia L. Poehlman, CFO
32.1	Section 906 Certification
99.1	Earnings Press Release
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase